

**TOP SECRET**

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# CENTRAL INTELLIGENCE BULLETIN



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# CENTRAL INTELLIGENCE BULLETIN

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23 July 1959

## DAILY BRIEF

### I. THE COMMUNIST BLOC

USSR-Geneva: [Moscow is attempting to shatter any illusion of Soviet flexibility on Berlin, apparently believing that further concessions will be made at Geneva if the West is convinced that the Soviet Union will not withdraw from its present position which ties any Berlin solution to the establishment of an all-German committee. Khrushchev has sent a

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25X1 [warning that if agreement is not reached at the present conference or at a summit meeting, Moscow "will be driven" to sign a separate peace treaty with the GDR. [

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Gromyko stated that "at Berlin, as at Stalingrad, our backs are to the water." [has also been sent to De Gaulle.] [

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\*Publicly, Khrushchev has reaffirmed the Soviet position at Geneva in the joint communiqué he issued with Gomulka on 22 July. Asserting that "a certain amount of positive work has been done at this conference" the communiqué criticizes Western proposals as endangering peace and calls for a heads-of-government meeting with Polish and Czech participation. Meanwhile, according to rumors in Moscow, Khrushchev is planning to call a top-level conference of bloc leaders during the first week in August.

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25X1 Berlin: An attempt at interference by East German customs police with an American military train on 20 July--the first time an American military train has been boarded by East German authorities--is the latest in a series of incidents involving Western access rights to Berlin. Further such incidents can be expected. [

25X1 Watch Committee conclusion--Berlin: No significant indications bearing on the possibility of hostilities. [

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USSR - Communist China: Chinese Communist leaders will probably resent Khrushchev's public disparagement of the "commune" concept in an 18 July speech near Poznan. Khrushchev was urging Polish peasants to form collective farms and was probably seeking to allay their fears of extreme socialization of agriculture, but his remarks will almost certainly be interpreted by Peiping as a fresh Soviet criticism. The Chinese have withdrawn some of their ideological claims for the communes and are looking for ways to make the program work; they are still firmly committed to the concept. [redacted]

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Communist China - Pakistan: Peiping's strongly worded note of 21 July, protesting Pakistan's reception of a Chinese Nationalist Moslem group, will probably adversely affect Sino-Pakistani relations. The note accuses Karachi of "waging cold war," charges it with advocating a "two-Chinas" policy, and takes strong exception to Pakistani "slanders" of Peiping's actions in the Tibet revolt. The Chinese ambassador to Pakistan is currently in Peiping, and the Chinese Communists may underscore their displeasure by delaying his return to Karachi. [redacted]

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## II. ASIA-AFRICA

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Tunisia-Algeria: Tunisia has announced that "unidentified Algerian elements" attacked two Tunisian border posts on 19-20 July after having committed "violent acts" against the civil population in the area. The Tunisian communiqué followed charges by Algerian rebel spokesmen that the French Army was planning a massacre of Moslems along the Tunisian border using troops disguised as rebel soldiers. A French provocation is possible, but it is likely that the rebels are attempting to blame France for border clashes between themselves and the Tunisians in anticipation of discussion of the Algerian issue at a conference of African states in early August and subsequently at the UN. [redacted]

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[redacted]  
Watch Committee conclusion--Middle East: Situations susceptible of direct exploitation by Sino-Soviet bloc action which would jeopardize US interests exist, particularly in Iraq and Iran.

The initiation of significant hostilities is unlikely in the immediate future. [redacted]

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Turkey: Despite substantial improvements which have taken place since the economic stabilization program was introduced last August, the Turkish economy is facing serious problems. Important segments of industry are experiencing substantial declines in sales, but factories continue to produce at near normal levels and inventories are mounting. Imports, currently in great demand, are being held off the market by speculators anticipating higher prices. [redacted]

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### III. THE WEST

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Cuba: Whether or not Fidel Castro resumes the office of prime minister, he will remain the dominant figure in Cuba. The vanguard of a promised half-million peasants, armed with

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machetes, has already entered Havana for massive demonstrations of support for him planned for 26 July. Anti-US incidents may occur during the demonstrations. [REDACTED]

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Argentina: The naval crisis growing out of efforts to force President Frondizi to replace Navy Secretary Estevez is worsening. Some 100 top naval officers have tendered resignations. Frondizi, who is dependent on the support of the armed forces, will probably have to give in shortly--as he did in the recent army crisis--in order to avoid a larger threat to stability.

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# I. THE COMMUNIST BLOC

## Soviet Tactics at Geneva

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[Moscow is attempting to shatter any illusion of Soviet flexibility on Berlin, apparently believing that further concessions at the foreign ministers' talks will be made if the West is convinced that the USSR will not withdraw from its insistence that agreement on an interim Berlin settlement must be linked to an all-German committee which would discuss German problems including reunification.]

[Soviet Premier Khrushchev, [redacted]

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[redacted] warned that if agreement is not reached at the current Geneva meeting or at a summit conference, Moscow "will be driven" to sign a separate peace treaty with the GDR. Soviet Foreign Minister Gromyko, [redacted] implied that the Soviet position left no room for maneuver, stating that "at Berlin, as at Stalingrad, our backs are to the water."] ]

[redacted] was also sent to French President de Gaulle.]

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[redacted] reflects Moscow's belief that by playing on the Macmillan government's hopes during this critical pre-election period to obtain a commitment for a heads-of-government meeting, it can force either Western concessions or an open split between the UK and US. The Soviet leaders probably calculate that their uncompromising stand will compel London to exert pressures on the other Western governments to avoid a breakdown of negotiations. At the same time the Soviet leaders probably consider that a firm position in Geneva will provide a better opportunity to probe for possible flexibilities in the US position during talks between Khrushchev and Vice President Nixon.]

[Publicly, Khrushchev has chosen the 22 July joint Polish-Soviet communiqué marking the end of his visit to Poland to warn the Western Powers that their stand in Geneva "may lead to aggravation of the situation, pregnant with danger to the cause of peace"]

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[in Europe." The communiqué reiterated the admonition that the two countries will support East Germany "in measures which she may recognize as appropriate to liquidate the abnormal situation in Berlin." Calling for a heads-of-government conference "to lessen international tension" the declaration asserted that a certain amount of positive work had been done at the foreign ministers level. It "emphasized the special right" of Poland and Czechoslovakia to participate in any East-West negotiations on the German problem and European security.]

[Meanwhile, it is rumored in Moscow that a top level conference of bloc leaders is to be held in early August.]

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East Germans Board US Military Train From Berlin

For the first time, East German customs authorities have boarded an American military train in an effort to assert control of Allied railroad access to Berlin. In response to an order from a US train commander to stop their efforts to inspect the train at Potsdam, the East Germans stated they were "in charge and would do as they pleased." Before an incident could develop, however, the train pulled out of the freight yard, presumably on the initiative of the East German engineer.

In the past month, East German military police have made three attempts to exercise jurisdiction over American officers traveling on the Berlin-Helmstedt autobahn. In connection with these incidents, the acting Soviet commandant in Berlin on 26 June disclaimed responsibility for Allied personnel after they had cleared the Soviet checkpoint on the autobahn, and indicated that Allied comments on such action should be addressed to East German authorities.

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Khrushchev Disparages Commune Idea

Khrushchev publicly criticized the commune form of agricultural organization during a visit on 18 July to the Plawce collective farm near Poznan. He urged Polish peasants to unite their individual farms into collectives, but sought to allay fears of extreme socialization of agriculture by noting that the Soviet Union had tried communes in the early 1920s and abandoned them. The reason, he said, was that "all wanted to live well but, at the same time, to contribute as little labor as possible to the common cause." Khrushchev's disparagement of the commune appeared in the Polish press--for the first time in bloc media.

Khrushchev had expressed the same idea privately to Senator Humphrey last December shortly after the Chinese had begun to back down on the extreme claims that their communes were "the best organizational form for the transition from socialism to communism" and "the basic form for the future communist society." Khrushchev, referring to the Chinese communes, described them as "old-fashioned" and "reactionary," and said they were impractical because they were based on the principle of "from each according to his abilities, to each according to his needs." "You can't get production without incentives," he told Humphrey.

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Peiping reportedly protested to Moscow concerning the remarks to Humphrey, who had published Khrushchev's criticisms. The Chinese will undoubtedly interpret Khrushchev's latest comments as renewed criticism of their communes. They will probably ask that Soviet criticism be stated privately, both because the Chinese are not advocating their program for other bloc states and because of the necessity for displaying Sino-Soviet unity.

Communist China has had considerable trouble with its commune program and is placing a new emphasis on material incentives for the peasant, but the regime is still firmly committed to the commune concept.

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Peiping Protest to Pakistan

Communist China on 21 July publicly accused Pakistan of "connivance with the activities" of a group of Chinese Nationalist Moslems who visited Pakistan from 29 June to 5 July. By broadcasting the bitter protest handed Pakistan's ambassador to Peiping, the Chinese Communists probably hope to force Karachi to acknowledge that recognition of Peiping as the government of China includes acceptance of its claims to Taiwan.

The Chinese Communists took particular exception to an interview granted the Moslem delegation by Pakistani Foreign Minister Qadir, terming the interview a "serious provocation." In an effort to document its charge that Karachi was "stepping up adherence to the American two-Chinas plot," Peiping cited a list of complaints going back to October 1958 when Pakistan "attempted to deny China's sovereignty over Taiwan." Accusing Pakistan of following in the "cold-war footsteps of the United States," the Peiping note also accused Pakistani leaders of "wantonly slandering, flagrantly interfering in China's internal affairs" by criticizing Peiping's action in Tibet.

If Karachi rejects the protest, as it almost certainly will, the Chinese may delay the return to Pakistan of the Chinese ambassador, now in Communist China, and may launch a vituperative press campaign. [REDACTED]

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[REDACTED]

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## II. ASIA-AFRICA

### Tunisian Border Situation

Tension continues high along the Algerian-Tunisian border following a Tunisian announcement that "unidentified Algerian elements" attacked two Tunisian border outposts on 19 and 20 July, after committing "violent acts" against the local population. The Tunisian communiqué followed charges by Algerian rebel spokesmen that the French Army was planning a massacre of Moslems along the border using troops disguised as rebel soldiers.

While a French provocation is possible, recent military clashes along the Tunisian border have most often involved Tunisian border guards and rebel rather than French elements. Although there have been rumors of a French strike into Tunisia to destroy rebel military installations, the prospect of serious international consequences would probably keep France from initiating a campaign against the Moslem population.

Recent rebel military and propaganda moves have been directed at countering reports that rebel military prospects are deteriorating, and at increasing international attention to the Algerian problem in anticipation of the meeting of African states in August and the forthcoming UN session. An attempt to involve France in an incident on Tunisian soil would be consistent with rebel desires to expand the war and possibly to secure UN intervention.

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# Turkey Facing New Economic Difficulties

Serious Turkish economic problems are anticipated in the coming months. Important segments of Turkish industry are experiencing substantial declines in sales. The textile and building-materials enterprises are especially hard hit. Factories have thus far averted unemployment by continuing to produce at near normal levels, but inventories are mounting dangerously. Businessmen are beginning to clamor for loosening domestic credit curbs.

Imported goods, unlike domestic manufactures, are currently in great demand. They are being held off the market, however, by speculators who anticipate higher prices following the sale of the autumn harvest.

Turkey has made considerable progress under the stabilization program instituted last fall, which is backed by \$359,000,000 in Western aid, but pressures are mounting to ease restrictions attached to this support. One of these, a strict credit ceiling, is being blamed by Turkish officials for the "sluggishness of the economy."

Officials of the Organization for European Economic Cooperation (OEEC) are seriously concerned over the apparent continued lack of central planning and control of financial activities of state enterprises and municipalities, which account for a large part of the budget deficit.

If the increase in consumer demand expected after the current harvesting season fails to materialize, as seems likely, the government will be under heavy pressure to return to the pre-stabilization days of easy credit.

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### III. THE WEST

#### Argentine Naval Crisis Worsens

The crisis growing out of the Argentine Navy's efforts to force President Frondizi to replace Navy Secretary Estevez is worsening. Some 100 top naval officers, including 13 of the 17 flag officers, reportedly have tendered resignations. The fleet was reported cutting maneuvers short to return to the main naval base at Puerto Belgrano, some 560 miles southwest of Buenos Aires, presumably to show its backing for demands for Estevez' ouster. The fleet played a key role in Peron's overthrow in 1955.

Frondizi's support for Estevez stems not only from the secretary's strong defense of constitutional government but also from Frondizi's desire to discourage the military from trying to impose its will on him. Opponents of Estevez charge that he has contributed to the disciplinary problem by mistakes in leadership and inadequate representation of the navy viewpoint.

Frondizi will probably have to give in shortly--as he did in the recent army crisis--in order to prevent further deterioration which might threaten stability. He realizes that much of the discontent within the armed forces results from the many problems that have arisen in the process of returning the country to democratic practices. The continuing political rancor and a nearly bankrupt treasury have complicated this process and increased his dependence on the military.

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The Under Secretary of State for Economic Affairs

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Assistant Chief of Staff for Intelligence, Department of the Army

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Commander in Chief, Pacific

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The Secretary of the Interior

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